

The complaint

Mr R complains that Revolut Ltd did not reimburse the funds he lost to a scam.

What happened

Mr R was added to a messaging group about investing in cryptocurrency and initially did not engage with the members. However, due to some financial difficulties, he wanted to try and earn some money so began trading with the help of some individuals in the group. In just four days, he was able to increase an initial stake of £8,000 into £40,000 but then lost it in a single trade. This continued with a mixture of success and loss.

The leader of the group said he had a trade with guaranteed 80% returns, but Mr R would need to invest a significant amount to be able to join in. Mr R put in £100,000 to invest, but soon after lost all contact with the individuals. He then realised he had been the victim of a scam. He made the following payments from his existing Revolut account to crypto wallets in his name:

Date	Amount	Credit/Debit
21/6/23	£284.99	Debit
30/6/23	£100	Debit
1/7/23	£629.91	Credit
1/7/23	£25,000	Debit
1/7/23	£21,830.08	Credit
1/7/23	£1,000	Debit
1/7/23	£1,000	Credit
4/7/23	£100	Credit
6/7/23	£200	Debit
11/7/23	£21,000	Debit
11/7/23	£20,000	Debit
16/7/23	£15,000	Debit
09/8/23	£5,000	Debit
29/8/23	£30,000	Debit
30/8/23	£30,000	Debit
30/8/23	£40,000	Debit

Mr R later raised a scam claim via a representative. Revolut issued a final response letter on 29 November 2023 in which they explained they were attempting to recover the funds and had raised a chargeback claim for the one card payment involved in the scam, which was the initial payment of £284.99. Revolut also explained that they paused some of the payments and provided some warnings to Mr R, however he chose to continue, so they did not think they needed to provide a refund in the circumstances. In their business file to our service, Revolut explained the chargeback claim had been raised too late so was unsuccessful.

Mr R referred the complaint to our service and our Investigator looked into it. The issued a view in which they explained Revolut should have referred Mr R to an in app chat for the

transfer of £25,000 to a known cryptocurrency merchant. And they thought it was more likely that Mr R would have been honest about the purpose of the payment had they done so. Because of this, they felt Revolut had missed an opportunity to meaningfully reveal the scam and recommended a refund from the payment of £25,000 onwards, as well as 8% simple interest. But they also felt Mr R should bear some responsibility for the loss so recommended a reduction in the redress of 50%.

Mr R accepted the recommendation, but Revolut did not. In summary, they felt the loss did not occur from the Revolut account as Mr R transferred the funds to a cryptocurrency wallet in his control before sending it out to the scam. So, they did not think they needed to reimburse Mr R.

As an informal agreement could not be reached, the complaint has been passed to me for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In deciding what's fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

In broad terms, the starting position at law is that an Electronic Money Institution ("EMI") such as Revolut is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

And, as the Supreme Court has recently reiterated in *Philipp v Barclays Bank UK PLC*, subject to some limited exceptions banks have a contractual duty to make payments in compliance with the customer's instructions.

In that case, the Supreme Court considered the nature and extent of the contractual duties owed by banks to their customers when making payments. Among other things, it said, in summary:

- The starting position is that it is an implied term of any current account contract that, where a customer has authorised and instructed a bank to make a payment, it must carry out the instruction promptly. It is not for the bank to concern itself with the wisdom or risk of its customer's payment decisions.
- At paragraph 114 of the judgment the court noted that express terms of the current account contract may modify or alter that position. In *Philipp*, the contract permitted Barclays not to follow its consumer's instructions where it reasonably believed the payment instruction was the result of APP fraud; but the court said having the right to decline to carry out an instruction was not the same as being under a legal duty to do so.

In this case, the terms of Revolut's contract with Mr R modified the starting position described in *Philipp*, by expressly requiring Revolut to refuse or delay a payment "*if legal or regulatory requirements prevent us from making the payment or mean that we need to carry out further checks*".

So Revolut was required by the implied terms of its contract with Mr R and the Payment

Services Regulations to carry out their instructions promptly, except in the circumstances set out in its contract, which included where regulatory requirements meant it needed to carry out further checks.

Whether or not Revolut was required to refuse or delay a payment for one of the reasons set out in its contract, the basic implied requirement to carry out an instruction promptly did not in any event mean Revolut was required to carry out the payments immediately¹. Revolut could comply with the requirement to carry out payments promptly while still giving fraud warnings, or making further enquiries, prior to making the payment.

And, I am satisfied that, taking into account longstanding regulatory expectations and requirements and what I consider to have been good industry practice at the time, Revolut should in June 2023 fairly and reasonably have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances (irrespective of whether it was also required by the express terms of its contract to do so).

In reaching the view that Revolut should have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances, I am mindful that in practice all banks and EMI's like Revolut do in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud;²
- requiring consumers to provide additional information about the purpose of transactions during the payment authorisation process;
- using the confirmation of payee system for authorised push payments;
- providing increasingly tailored and specific automated warnings, or in some circumstances human intervention, when an increased risk of fraud is identified.

In reaching my conclusions about what Revolut ought fairly and reasonably to have done, I am also mindful that:

- Electronic Money Institutions like Revolut are required to conduct their business with “due skill, care and diligence” (FCA Principle for Businesses 2), “integrity” (FCA Principle for Businesses 1) and a firm “must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems” (FCA Principle for Businesses 3)
- Over the years, the FCA, and its predecessor the FSA, have published a series of publications setting out non-exhaustive examples of good and poor practice found when reviewing measures taken by firms to counter financial crime, including various iterations of the *“Financial crime: a guide for firms”*.

¹ The Payment Services Regulation 2017 Reg. 86 states that “the payer’s payment service provider must ensure that the amount of the payment transaction is credited to the payee’s payment service provider’s account **by the end of the business day following the time of receipt of the payment order**” (emphasis added).

² For example, Revolut’s website explains it launched an automated anti-fraud system in August 2018:

https://www.revolut.com/news/revolut_unveils_new_fleet_of_machine_learning_technology_that_has_seen_a_fourfold_reduction_in_card_fraud_and_had_offers_from_banks/

- Regulated firms are required to comply with legal and regulatory anti-money laundering and countering the financing of terrorism requirements. Those requirements include maintaining proportionate and risk-sensitive policies and procedures to identify, assess and manage money laundering risk – for example through customer due-diligence measures and the ongoing monitoring of the business relationship (including through the scrutiny of transactions undertaken throughout the course of the relationship). I do not suggest that Revolut ought to have had concerns about money laundering or financing terrorism here, but I nevertheless consider these requirements to be relevant to the consideration of Revolut's obligation to monitor its customer's accounts and scrutinise transactions.
- The October 2017, BSI Code³, which a number of banks and trade associations were involved in the development of, recommended firms look to identify and help prevent transactions – particularly unusual or out of character transactions – that could involve fraud or be the result of a scam. Not all firms signed the BSI Code (and Revolut was not a signatory), but the standards and expectations it referred to represented a fair articulation of what was, in my opinion, already good industry practice in October 2017 particularly around fraud prevention, and it remains a starting point for what I consider to be the minimum standards of good industry practice now (regardless of the fact the BSI was withdrawn in 2022).
- Since 31 July 2023, under the FCA's Consumer Duty⁴, regulated firms (like Revolut) must act to deliver good outcomes for customers (Principle 12) and must avoid causing foreseeable harm to retail customers (PRIN 2A.2.8R). Avoiding foreseeable harm includes ensuring all aspects of the design, terms, marketing, sale of and support for its products avoid causing foreseeable harm (PRIN 2A.2.10G). One example of foreseeable harm given by the FCA in its final non-handbook guidance on the application of the duty was *"consumers becoming victims to scams relating to their financial products for example, due to a firm's inadequate systems to detect/prevent scams or inadequate processes to design, test, tailor and monitor the effectiveness of scam warning messages presented to customers"*⁵.
- Revolut should also have been aware of the increase in multi-stage fraud, particularly involving cryptocurrency when considering the scams that its customers might become victim to. Multi-stage fraud involves money passing through more than one account under the consumer's control before being sent to a fraudster. Our service has seen a significant increase in this type of fraud over the past few years – particularly where the immediate destination of funds is a cryptocurrency wallet held in the consumer's own name. And, increasingly, we have seen the use of an EMI (like Revolut) as an intermediate step between a high street bank account and cryptocurrency wallet.

Overall, taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable in June 2023 that Revolut should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;

³ BSI: PAS 17271: 2017" Protecting customers from financial harm as result of fraud or financial abuse"

⁴ Prior to the Consumer Duty, FCA regulated firms were required to "pay due regard to the interests of its customers and treat them fairly." (FCA Principle for Businesses 6). As from 31 July 2023 the Consumer Duty applies to all open products and services.

⁵ The Consumer Duty Finalised Guidance FG 22/5 (Paragraph 5.23)

- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;
- have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – (as in practice Revolut sometimes does); and
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

Should Revolut have recognised that Mr R was at risk of financial harm from fraud?

It isn't in dispute that Mr R fell victim to a cruel scam, nor that he authorised the payments to his cryptocurrency wallet (from where that cryptocurrency was subsequently transferred to the scammer).

By June 2023, when these transactions took place, firms like Revolut had been aware of the risk of multi-stage scams involving cryptocurrency for some time. Scams involving cryptocurrency have increased over time. The FCA and Action Fraud published warnings about cryptocurrency scams in mid-2018 and figures published by the latter show that losses suffered to cryptocurrency scams have continued to increase since. They reached record levels in 2022. During that time, cryptocurrency was typically allowed to be purchased through many high street banks with few restrictions.

By the end of 2022, however, many of the high street banks had taken steps to either limit their customer's ability to purchase cryptocurrency using their bank accounts or increase friction in relation to cryptocurrency related payments, owing to the elevated risk associated with such transactions. And by June 2023, when these payments took place, further restrictions were in place. This left a smaller number of payment service providers, including Revolut, that allowed customers to use their accounts to purchase cryptocurrency with few restrictions. These restrictions – and the reasons for them – would have been well known across the industry.

I recognise that, as a result of the actions of other payment service providers, many customers who wish to purchase cryptocurrency for legitimate purposes will be more likely to use the services of an EMI, such as Revolut. And I'm also mindful that a significant majority of cryptocurrency purchases made using a Revolut account will be legitimate and not related to any kind of fraud (as Revolut has told our service). However, our service has also seen numerous examples of consumers being directed by fraudsters to use Revolut accounts in order to facilitate the movement of the victim's money from their high street bank account to a cryptocurrency provider, a fact that Revolut is aware of.

So, taking into account all of the above I am satisfied that by the end of 2022, prior to the payments Mr R made in June 2023, Revolut ought fairly and reasonably to have recognised that its customers could be at an increased risk of fraud when using its services to purchase cryptocurrency, notwithstanding that the payment would often be made to a cryptocurrency wallet in the consumer's own name.

In those circumstances, as a matter of what I consider to have been fair and reasonable,

good practice and to comply with regulatory requirements, Revolut should have had appropriate systems for making checks and delivering warnings before it processed such payments.

Taking all of the above into account, and in light of the increase in multi-stage fraud, particularly involving cryptocurrency, I don't think that the fact most of the payments in this case were going to an account held in Mr R's own name should have led Revolut to believe there wasn't a risk of fraud.

So, I've gone onto consider, taking into account what Revolut knew about the payments, at what point, if any, it ought to have identified that Mr R might be at a heightened risk of fraud that merited its intervention. I can see that Mr R had an existing Revolut account that he used to facilitate the payments. Having compared the fraudulent payments to the genuine account activity, I do not think the initial two payments were unusual enough to warrant intervention from Revolut prior to them being processed. They were relatively low value, and there was a gap of just over a week payment 1 and 2.

However, payment 3 was of a significantly higher value, and much higher than Mr R's usual account activity. Mr R tended to make smaller value payments on his Revolut account, so the £25,000 was sufficiently unusual that I think Revolut should have had concerns he may be at risk of financial harm. In addition to this, the payment was identifiably going to a known cryptocurrency provider, which as explained above carried its own increased risk level. In line with good industry practice and regulatory requirements I am satisfied that it is fair and reasonable to conclude that Revolut should have warned its customer before this payment went ahead.

What did Revolut do to warn Mr R and what kind of warning should it have provided?

Revolut did hold some payments for further checks. This included the £25,000 payment, the £2,000 payment on the 1st of July, the £21,000 payment and the £20,000 payment, and the two £30,000 payments. Each time, Mr R was asked what the purpose of the payments were and he was able to select this from a drop-down list. He selected 'cryptocurrency', 'cryptocurrency', 'investment' 'something else', 'friends and family' and 'friends and family' for each respective payment. As a result, Revolut showed him general warnings related to the payment purpose he had selected for each transfer. After which, Mr R was given the option of continuing with the payments, which he did.

Revolut also restricted Mr R's account on 4 July 2023 due to a number of payments going in and out of the account. They spoke with Mr R about the payments on the account and asked if he had downloaded any screensharing software, which he said no to. They asked Mr R if he had been told to open the Revolut account or if anyone had told him to move his money, which he said no to. When Mr R confirmed he was purchasing cryptocurrency, Revolut asked him how he found the platform he was using and if he had been able to withdraw his funds, and he said he had carried out his own research and had been able to withdraw funds. They then gave him a general warning that scammers have become more sophisticated and that if this turned out to be a scam it would be difficult to get his funds back.

While I appreciate Revolut did later refer Mr R to an in-app chat, I've thought carefully about what a proportionate warning in light of the risk presented for the £25,000 was. Considering the high value of the £25,000 payment, as well as the other activity on the account the same day such as high value transfers into the account and the fact the payment was going to a known cryptocurrency merchant, I think Revolut should have taken additional steps to ensure Mr R was not at risk of financial harm at that stage. And in this case, I think a proportional response to the risk the payment presented was to refer Mr R to an in-app chat

to discuss the payment further.

If Revolut had referred Mr R to an in-app chat, would that have prevented the losses he suffered from the £25,000 payment?

I've considered whether an in-app chat about the £25,000 payment would reasonably have uncovered the scam. In doing so I have considered what general questions I would have expected Revolut to ask, and the overall features of the scam Mr R had fallen victim to.

I would have expected Revolut to ask what the cryptocurrency was going to be used for, and I think Mr R would have explained he was using it to trade. Mr R was added to a group chat about an individual who said he could help others trade in cryptocurrency. This is a feature of many cryptocurrency investment scams and I would have expected this to be a red flag to Revolut. The investment he was adding the £25,000 to had grown considerable and in just a few days he had supposedly made £32,000. If Revolut had asked about what kind of returns he had already received, I think this again would have been a clear red flag. In addition, Mr R had been told about another investment opportunity by the leader of the group who guaranteed 80% returns for investors, which again is a clear sign of a scam.

I would have expected Revolut to encourage Mr R to look into the individual and the group who was helping him trade. And as Revolut has pointed out, there were some negative reviews online about them at the time which would have been a warning that something was not right. With all of this in mind, I think Revolut could have uncovered that this was a scam had they spoken to Mr R about the £25,000 payment.

On balance, I think it is more likely Mr R would have been open and honest in his answers at that time. I can see that just a few days after when Revolut restricted his account and referred him to the in-app chat he was open and honest with his answers. Unfortunately, they did not ask Mr R what his reasons were for purchasing cryptocurrency. However, at one point he did ask them to unfreeze his account so he could move the money to his trading account. Considering this, I think it is more likely he would have been truthful about the trading he was doing if Revolut had asked appropriate questions.

While I appreciate Mr R was not honest about the payment purpose for the two £30,000 payments, this was much later in the scam when he was deep under the spell of the scammer. However, I don't think that was the case with the £25,000 payment and as set out above, I think it is more likely he would have been open and honest with Revolut about the nature of the payment. And for that reason, I think Revolut could have uncovered the scam had they intervened in the £25,000 payment.

Is it fair and reasonable for Revolut to be held responsible for Mr R's loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Mr R purchased cryptocurrency which credited an e-wallet held in his own name, rather than making a payment directly to the fraudsters. So, he remained in control of his money after he made the payments from his Revolut account, and it took further steps before the money was lost to the fraudsters.

But as I've set out above, I think that Revolut still should have recognised that Mr R might have been at risk of financial harm from fraud when he made the £25,000 payment, and in those circumstances it should have referred him for an in-app chat. If it had taken those steps, I am satisfied it would have prevented the losses Mr R suffered. The fact that the money used to fund the scam came from elsewhere and wasn't lost at the point it was transferred to Mr R's own account does not alter that fact and I think Revolut can fairly be held responsible for Mr R's loss in such circumstances. I don't think there is any point of law or principle that says

that a complaint should only be considered against either the firm that is the origin of the funds or the point of loss.

I've also considered that Mr R has only complained against Revolut. I accept that it's *possible* that other firms might also have missed the opportunity to intervene or failed to act fairly and reasonably in some other way, and he could instead, or in addition, have sought to complain against those firms. But Mr R has not chosen to do that and ultimately, I cannot compel him to. In those circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce Mr R's compensation in circumstances where: the consumer has only complained about one respondent from which they are entitled to recover their losses in full; has not complained against the other firm (and so is unlikely to recover any amounts apportioned to that firm); and where it is appropriate to hold a business such as Revolut responsible (that could have prevented the loss and is responsible for failing to do so). That isn't, to my mind, wrong in law or irrational but reflects the facts of the case and my view of the fair and reasonable position.

Ultimately, I must consider the complaint that has been referred to me (not those which haven't been or couldn't be referred to me) and for the reasons I have set out above, I am satisfied that it would be fair to hold Revolut responsible for Mr R's loss from the £25,000 payment (subject to a deduction for Mr R's own contribution which I will consider below).

Should Mr R bear any responsibility for his losses?

I've finally considered whether or not Mr R should reasonably bear some responsibility for the losses as a result of any negligence in his actions and if it is therefore reasonable for me to make a reduction in the award based on this. In doing so, I've considered whether Mr R has acted as a reasonable person would to protect himself against the loss he suffered. The test is objective but needs to take account of the relevant circumstances.

In doing so, I have considered that Mr R felt he had received almost 300% profits on his original investment in just four days at the point he was making the £25,000. And around the same time, he had been asked to join another opportunity by the leader of the group that had guaranteed returns of 80%. On balance, I think Mr R could have seen these levels of returns as too good to be true and should therefore have been wary about investing in the platform.

In addition, there were some negative reviews online about the platform Mr R was investing in and had he carried out more research, he could have seen this. This, along with the significant returns and the fact he was anonymously added to a group chat about the investment all make me think Mr R could have taken additional steps to protect himself against the scam.

With the above in mind, I think it is reasonable for Revolut to reduce the reimbursement by 50% to account for Mr R's contribution to the loss.

Putting things right

Revolut should reimburse Mr R from the payment of £25,000 onwards. I can see he received credits totalling £22,930.08. This brings his total loss to £164,269.92. Revolut should pay 50% of this amount, to account for Mr R's contribution to the loss.

Revolut should also apply 8% simple interest to this amount from the date of the transactions to the date of settlement, and it can deduct any lawful tax from this.

My final decision

I uphold Mr R's complaint in part and recommend Revolut Ltd pay the redress outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 22 May 2025.

Rebecca Norris
Ombudsman